

Auditing Procedures Report

****REVISED****

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Flint	County Genesee
Fiscal Year End June 30, 2006	Opinion Date December 6, 2006	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

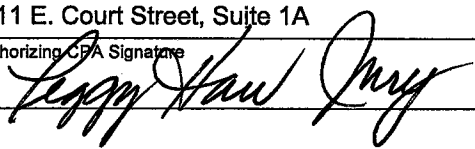
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>	Filed 12-29-2006		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Filed 12-29-2006		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-5350		
Street Address 111 E. Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Peggy Haw Jury, CPA, CFA		License Number 1101009025

City of Flint

Federal Awards Supplemental Information June 30, 2006

City of Flint

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Independent Auditor's Report

To the Honorable Mayor and the City Council
City of Flint

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Flint, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2006. Those basic financial statements are the responsibility of the management of the City of Flint. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flint's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 19, 2007

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing
Standards*

**To the Honorable Mayor and the City Council
City of Flint**

We have audited the financial statements of the governmental activities, business type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information as of and for the year ended June 30, 2006 and have issued our report thereon dated December 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Flint's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Flint's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 06-01 through 06-07.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions related to the lack of segregation of duties over the golf course to be material weaknesses (Finding 06-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Flint's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council management, the State of Michigan, cognizant audit agency, federal awarding agency, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 19, 2007

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and the City Council
City of Flint

Compliance

We have audited the compliance of the City of Flint with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The major federal programs of the City of Flint are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Flint's management. Our responsibility is to express an opinion on the City of Flint's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Flint's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Flint's compliance with those requirements.

We were unable to obtain sufficient documentation of the City of Flint's compliance with Davis Bacon and procurement, suspension and debarment requirements for its Environmental Protection Agency Special Grant (CFDA # 16.606), nor were we able to satisfy ourselves as to the City of Flint's compliance with those requirements for this program by other auditing procedures.

As described in items 06-08 through 06-13 in the accompanying schedule of findings and questioned costs, the City of Flint did not comply with the requirements regarding reporting, subrecipient monitoring, allowable costs and cost principles, equipment management, and suspension and debarment that are applicable to its major programs; Community Development Block Grant, HOME Investment Partnership Program, and Title IX Revolving Loan Fund Grants. Compliance with such requirements is necessary, in our opinion, for the City of Flint to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Flint complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Flint is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Flint's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect City of Flint's ability to administer a major federal program in accordance with applicable requirements of law, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questions costs as items 06-08 through 06-13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the City Council management, the State of Michigan, cognizant audit agency, federal awarding agency, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 19, 2007

Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Grantor	Federal		Accrued	
	CFDA	Federal Assistance	Federal	Expenditures
	Number	ID Number	Grant Amount	For Year Ended 30-Jun-06
Department of Housing and Urban Development				
Direct programs:				
Community Development Block Grant - 1999	14.218	B-99-MC-260018	\$ 5,569,000	\$ 45,838
Community Development Block Grant - 2000	14.218	B-00-MC-260018	5,574,000	196,680
Community Development Block Grant - 2001	14.218	B-01-MC-260018	5,756,000	20,732
Community Development Block Grant - 2002	14.218	B-02-MC-260018	5,886,000	142,014
Community Development Block Grant - 2003	14.218	B-03-MC-260018	5,274,000	100,780
Community Development Block Grant - 2004	14.218	B-04-MC-260018	5,216,000	2,185,876
Community Development Block Grant - 2005	14.218	B-05-MC-260018	4,932,705	2,435,663
Emergency Shelter Grant - 2004	14.231	S-04-MC-260018	192,920	53,369
Emergency Shelter Grant - 2005	14.231	S-05-MC-260018	190,780	84,136
Home Investment Partnership Program - 1997	14.239	M-97-MC-260204	1,670,000	7,493
Home Investment Partnership Program - 1998	14.239	M-98-MC-260204	1,793,000	102,494
Home Investment Partnership Program - 2000	14.239	M-00-MC-260204	1,934,000	32,720
Home Investment Partnership Program - 2002	14.239	M-02-MC-260204	2,153,000	351,428
Home Investment Partnership Program - 2003	14.239	M-03-MC-260204	1,359,439	-
Home Investment Partnership Program - 2004	14.239	M-04-MC-260204	1,469,791	18,502
Home Investment Partnership Program - 2005	14.239	M-05-MC-260204	1,299,639	67,133
EDI - Economic Development	14.246	B-00-SP-MI-0178	462,500	18,081
EDI - Economic Development	14.246	B-01-BD-26-0022	1,000,000	1,000,000
EDI - Economic Development	14.246	B-01-MC-26-0018	3,840,000	3,840,000
Total Department of Housing & Urban Development			55,572,774	10,702,939
Department of Justice				
Direct programs:				
COPS- Cops in Schools	16.710	2002SHWX0551	1,250,000	190,681
Local Law Enforcement Block Grant	16.592		394,579	67,597
Local Law Enforcement Block Grant	16.592	2004-LB-bx-1198	151,111	84,168
Weed and Seed	16.595	2004-WS-Q4-0084	175,000	113,673
Weed and Seed	16.595	2005-WS-Q4-0019	225,000	102,936
Indirect programs:				
Passed through State of Michigan				
Byrne Memorial 2005 - Sch. Res. Ofcr	16.579	72077-3-04-B	61,895	14,496
Victims of Crime Act of 1984 (204318 8VO3)	16.575	2001-VA-GX-0026	100,588	24,637
Victims of Crime Act of 1984 (20431-9V04)	16.575	2006-VA-GX-0594	110,107	63,866
Passed through Genesee Co.				
Byrne Memorial 2005 - FANG	16.579	70983-4-04-B	36,403	6,829
Byrne Memorial 2006 - FANG	16.579	70983-5-06-B	32,304	24,468
Justice Assistance Grant - JAG	16.595		178,377	10,982
Total Department of Justice			2,715,364	704,333

City of Flint

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2006

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Assistance ID Number</u>	<u>Federal Grant Amount</u>	<u>Accrued Expenditures For Year Ended 30-Jun-06</u>
Department of Homeland Security				
Direct programs:				
Emergency Preparedness & Response	83.554	EMW-2004-FG-03282	350,000	3,963
Emergency Preparedness & Response	83.554	EMW-2004-FP-00725	21,700	20,992
Total Department of Homeland Security			<u>371,700</u>	<u>24,955</u>
Environmental Protection Agency				
Direct programs:				
Child Asthma	66.034		35,000	24,943
Indirect programs:				
Passed through State of Michigan				
Special Purpose Grants	66.606	XP-96574301-O	433,700	433,700
Capitalization grants for Drinking Water Revolving Fund Loans	66.468		22,103,597	1,530,841
Total Environmental Protection Agency			<u>22,572,297</u>	<u>1,989,484</u>
Centers of Disease Control and Prevention				
Indirect programs:				
Passed through Michigan Department of Community Health				
Genesee Childhood Asthma Task Force	92.283		15,000	15,000
Department of Health and Human Resources and Services				
Direct programs:				
Congressionally Mandated Telehealth Grants	93.888		687,445	94,350
Indirect programs:				
Passed through Genesee County Health Department				
Home Care Health Start	93.926		152,837	152,837
Total Department of Health and Human Resources and Services			<u>855,282</u>	<u>262,187</u>
Department of Commerce				
Direct Program:				
Title IX Revolving Loan Fund	11.307		1,500,000	3,102,291
Total Federal Assistance				<u>\$ 16,786,189</u>

City of Flint

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Flint and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Loans Outstanding

At June 30, 2006, the City of Flint revolving loan fund has a business loan portfolio of \$706,125 and cash and investment holdings of \$2,351,730. Current year expenditures were \$44,436.

City of Flint

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Department of Housing and Urban Development		
Community Development Corp	14.218	21,049
Court Street Village	14.218	39,069
Disability Network	14.218	98,923
Faith Access	14.218	1,740
Flint Area Enterprise Community	14.218	240,000
Flint Neighborhood Improvement and Preservation Project	14.218	614,540
Genesee County Youth Corp	14.218	48,930
Hurley Foundation	14.218	24,478
Legal Services of Eastern Michigan	14.218	25,515
Metropolitan Chamber of Commerce	14.218	49,635
Shelter of Flint	14.218	60,000
St Agnes Church	14.218	10,000
Transition House	14.218	46,469
Vista Drop in Center	14.218	15,484
YWCA of Flint	14.218	28,941
Community Development Corp	14.239	32,720
Flint Housing Commission	14.239	156,808
Flint Neighborhood Improvement and Preservation Project	14.239	323,110
Genesee County Community Mental Health	14.231	14,166
Genesee Youth Corp	14.231	78,612
Legal Services of Eastern Michigan	14.231	19,295
Shelter of Flint	14.231	21,791

City of Flint

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major program(s): Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

Community Development Block Grant 14.218

HOME Investment Partnership 14.239

Drinking Water Revolving Fund Loans 66.468

Title IX Revolving Loan Fund 11.307

EDI- Economic Development 14.246

Environmental Protection Agency Special Purpose Grant 66.606

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? Yes X No

Section II - Financial Statement Audit Findings

Reference Number	Findings
06-01	<p>Lack of segregation of duties at golf courses</p> <p>Finding Type - Material weakness</p> <p>Criteria - Duties should be segregated so that the same person does not have control over both the asset and the accounting records for that asset.</p> <p>Condition - Golf course supervisor is responsible for receipting and recording cash receipts prior to deposit with Treasury.</p> <p>Context - Due to the small staff at the golf course there was a lack of segregation of duties. The golf course supervisor receipts cash, prepares the receipt and bank deposit, and determines the account coding assigned to receipts. The supervisor has control over both the un-deposited cash and the financial records related to those cash receipts prior to the deposit of the receipts with the treasury department.</p> <p>Effect - Lack of segregation of duties</p> <p>Cause - Due to the size of the staff at the golf course there is a lack of segregation of duties</p> <p>Recommendation - None</p> <p>Views of responsible officials and planned corrective actions - The City will not be making any changes at this time. After careful analysis, the City has determined the cost of segregating the cash handling responsibilities would be higher than the benefit that could be achieved.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
06-02	<p>Time record variances in Department of Community and Economic Development</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Time records and time sheets for payroll should all be in agreement and easily retrieved from storage.</p> <p>Condition - Time sheets and time cards did not agree in the Department of Community and Economic Development. The time sheets are utilized to allocate employee payroll and fringe costs to applicable federal grant reimbursement programs.</p> <p>Context - Of the 18 timecards selected for testing 2 timecards could not be located. Several timecards and time sheets did not agree as to the total hours worked that pay period.</p> <p>Effect - Time sheets and time cards were not in agreement.</p> <p>Cause - The payroll clerk uses the time cards to enter hours into the payroll software and does not verify the time sheets agree with the time cards.</p> <p>Recommendation - Procedures should be implemented to reconcile total hours as recorded on time sheets and time cards and resolving any differences prior to inputting that information into the payroll register. Also procedures should be in place to ensure that the time records are properly stored and available for future reference.</p> <p>Views of responsible officials and planned corrective actions - DCED payroll staff will compare timecard information with the attached activity logs/timesheets and have the submitting staff person address discrepancies Friday afternoon and Monday morning before payroll is approved.</p>
06-03	<p>Budget not adopted for Code Enforcement Fund</p> <p>Finding Type - Reportable condition</p> <p>Criteria - A budget was not adopted for the Code Enforcement which incurred expenditures during the fiscal year.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
06-03 (Continued)	<p>Condition - A budget was not adopted for the code abatement special revenue fund whose only expenditure during the year was a transfer out to close the fund.</p> <p>Context - The code abatement special revenue fund reported a transfer out in 2006 to close the fund</p> <p>Effect - The City was not in compliance with State of Michigan requirements regarding budget adoption.</p> <p>Cause - The City was aware the fund was going to be closed but did not consider the transfer out that would be made during the year to close the fund when adopting the budget.</p> <p>Recommendation - The City should adopt budgets for all funds required to have a budget under State law.</p> <p>Views of responsible officials and planned corrective actions - The City will adopt budgets for all funds required to have a budget under State Law.</p>
06-04	<p>Supervisory review of bank reconciliations</p> <p>Finding Type - Reportable Condition</p> <p>Criteria - All bank reconciliations prepared by staff should be reviewed by supervisory personnel.</p> <p>Condition - Several bank reconciliations prepared in finance are not reviewed by a second person after preparation.</p> <p>Context - Several bank reconciliations are not reviewed by management.</p> <p>Effect - Errors could occur and not be detected.</p> <p>Cause - Management believe there to be few reconciling items on a monthly basis and thus did not review the reconciliations.</p> <p>Recommendation - All bank reconciliations should be reviewed by management on a monthly basis.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
	Views of responsible officials and planned corrective actions - Management will review bank reconciliations prior to approving the Journal Entry.
06-05	Amendment of the annual budget Finding Type - Reportable condition Criteria - Adoption of annual budget and budget amendments. Condition - State law prohibits the City Council from adopting a budget that would result in a fund deficit. Context - Budget amendments were presented to City Council for approval during the year and the new fund balance after the budget amendment was not provided. Effect - Budget amendments could result in a fund deficit. Cause - Budget amendments presented to City Council did not indicate the effect of the amendment on fund balance. Recommendation - All budget amendments presented to City Council should include the new projected fund balance which would result if the resolution was approved. Views of responsible officials and planned corrective actions - Budget amendments presented to City Council include the new projected fund balance.
06-06	Accounting for grants Finding Type - Reportable condition Criteria - The finance department maintains a listing of all grant agreements to ensure that accounting procedures are in compliance with the grant agreement.

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
06-06 (Continued)	<p>Condition - The finance department is not consistently receiving grant agreements and communication from the departments that they need to properly perform grant accounting.</p> <p>Context - Several departments did not provide finance with grant agreement or grant reimbursement requests that occurred during the year.</p> <p>Effect - Finance is unable to effectively track grant reimbursement requests or identify the related expenditures, which could impact proper accounting.</p> <p>Cause - Not all City departments are providing the required information to the finance department.</p> <p>Recommendation - Every department within the City should provide the finance department with grant agreements, reimbursement requests and related support for the requests on a timely basis.</p> <p>Views of responsible officials and planned corrective actions - The City has established policies and procedures for grant administration. The Grant Administrator will continue to be in communications with and assist City departments to ensure grant documentation is received in Finance and in a timely fashion.</p>
06-07	<p>Contractual agreement with Director of Community and Economic Development Department</p> <p>Finding Type - Reportable condition</p> <p>Criteria - There is no formal agreement with the outside professional contractor who is responsible for supervising the Department of Community and Economic Development.</p> <p>Condition - The City has contracted with a professional to supervise the Department of Community and Economic Development; however, there is not a contractual agreement establishing the responsibilities for the City and the contractual person.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
06-07 (Continued)	<p>Context - The Department of Community and Economic Development is administered through a contractual relationship but no written agreement exists defining the responsibilities.</p> <p>Effect - The lack of a contractual agreement defining the responsibilities for the City and the contractor could subject the City to claims arising from the person's supervision of that department.</p> <p>Cause - The City did not establish a written contractual agreement for the supervision of the Department of Community and Economic Development.</p> <p>Recommendation - A formal agreement should be drafted as soon as possible to properly document the responsibilities of each party in the provision of these professional services.</p> <p>Views of responsible officials and planned corrective actions – The contract between the City and the Director of DCD was not finalized by June 30, 2006. The contract will be fully executed in the next fiscal year.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings

Reference Number	Findings
06-08	<p>Program Name - Community Development Block Grant 14.218</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Grant guidelines require that the City verify that vendors and subcontractors with contract exceeding \$25,000 are not suspended or debarred from participating in federally funded activities.</p> <p>Condition - The City has no system in place to determine if vendors/contractors are debarred or suspended.</p> <p>Questioned Cost - None</p> <p>Context - The City does not test for debarment or suspension when purchasing goods and services from outside vendors.</p> <p>Cause and Effect - The City has no system in place to verify debarment or suspension of vendors/contractors. The City may be contracting with vendors that are suspended or debarred.</p> <p>Recommendation - We recommend that procedures be implemented to verify that potential vendors and contractors are not debarred or suspended from participating in federally funded programs prior to the purchase of goods or services.</p> <p>Views of responsible officials and planned corrective actions - The City is revising its bid acceptance procedures to address this item. DCED is also adding this item to its pre-contractual good standing assurance procedure as well as its monitoring checklist for subrecipients. The Purchasing Department will also implement a yearly checking procedure for multi-year contracts.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-09	<p>Program Name –Community Development Block Grant 14.218</p> <p>Finding Type – Noncompliance and Reportable Condition</p> <p>Criteria – Grant guidelines require that the City maintain records of capital assets purchased with federal grants to ensure that any sale proceeds from disposal of related assets are returned to the federal agency.</p> <p>Condition – The City in previous years had a system in place to track assets purchased with block grant funds in the Community Development Block Grant department; however, the listing was not updated during the current year. In addition, the listing does not keep track of assets purchased in other City departments with block grant funds; such as fire equipment purchased in 2006.</p> <p>Question costs - None</p> <p>Context – The City does not have a complete listing of capital assets purchased with grant funds.</p> <p>Cause and Effect- The City has no system in place to identify all equipment purchased with block grant funds.</p> <p>Recommendation - We recommend that procedures be implemented to maintain a complete listing of equipment purchased with Community Development Block Grant funds.</p> <p>Views of responsible officials and planned corrective actions – The City of Flint keeps track of all the fixed assets purchased at the Finance Department. Fixed assets purchased where the unit price is greater than \$5,000 are capitalized. All the fixed assets purchased since July 2004 will be reviewed and the grant funded purchases will be clearly identified in the listing.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) **Year Ended June 30, 2006**

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-10	<p>Program Name - Title IX Revolving Loan Fund 11.307</p> <p>Finding Type - Noncompliance</p> <p>Criteria - Grant guidelines require that the City submit semi annual reports for the three Title IX programs.</p> <p>Condition – The reports were not filed by the due date.</p> <p>Questioned Costs - None</p> <p>Context - There are three different Title IX grants that are required to submit semi-annual reports. The three reports due November 1 were submitted on November 4. The three reports due March 31 were submitted on May 11.</p> <p>Cause and Effect - Staffing constraints result in late submission</p> <p>Recommendation - We recommend that procedures be implemented to ensure reports are filed timely.</p> <p>Views of responsible officials and planned corrective actions - The Finance Department and DCED will continue to strive to file the Title IX Revolving Loan Fund semi-annual reports in a timely fashion. DCED has been in constant contact with the EDA concerning the semi-annual reports and will request a letter from EDA stating that the City shall have 45 days to file their semi-annual reports.</p>
06-11	<p>Program Name - HOME 14.239</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Monitoring subrecipients to ensure compliance with grant requirements including reporting program income.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-11 (Continued)	<p>Condition - The Department of Community and Economic Development monitors subrecipients' compliance with grants requirement to report program income earned.</p> <p>Questioned costs - None</p> <p>Context - The Department of Community and Economic Development made no inquiry during the year when one sub-recipient did not report program income during the year. Subsequent to year end, upon review of the sub-recipient's single audit it was brought to the department's attention that the sub-recipient did not properly report program income for this grant. The department indicated that such a compliance issue would be discovered only upon reviewing the sub-recipient's single audit. The City had no monitoring procedures in place to address program income compliance during the grant year.</p> <p>Cause and Effect - Due to the lack of procedures for monitoring program income during the year the City reimbursed more to the sub-recipient than what they were entitled to, and federal funds were drawn down by the City prior to the disbursement of program income.</p> <p>Recommendation - We recommend the City implement procedures to monitor program income compliance required by subrecipients during the grant year and not rely solely on the sub-recipients' single audit reports to identify any problems.</p> <p>Views of responsible officials and planned corrective actions - The City's current procedure involves recording program income reported by its subrecipients on IDIS (receipt and use) and BS&A (use only). The City will create an additional program income account for HOME funds and explore whether or not to also record program income received, not yet used, in the custody of subrecipients on the General Ledger.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-12	<p>Program Name - HOME 14.239 & CDBG 14.218</p> <p>Finding Type - Reportable condition</p> <p>Criteria - Time card records and manual time sheets for payroll reimbursed by the CDBG, ESG, and HOME federal grants were not in agreement.</p> <p>Condition - Time sheets and time cards did not agree in the Department of Community and Economic Development as total hours worked.</p> <p>Questioned Costs - Unknown</p> <p>Context - Of the 18 timecards selected for testing 2 timecards could not be located. Timecards and time sheets did not agree as to the total hours worked that pay period.</p> <p>Effect - Time sheets and time cards were not in agreement.</p> <p>Cause - The payroll clerk uses the time cards to enter hours into the payroll software and does not verify that the time sheets agree with the time cards.</p> <p>Recommendation – Procedures should be implemented to reconcile total hours as recorded on time sheets and time cards and resolving any differences prior to inputting that information into the payroll register. Also procedures should be in place to ensure that the time records are properly stored and available for future reference.</p> <p>Views of responsible officials and planned corrective actions - The FY06 payroll was distributed based on a percent estimate given by each employee. The actual time worked was not used for expenditure purposes, only for informational purposes. DCED has performed corrective action by implementing a direct charge system that changes each pay period based on actual hours worked.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-12 (Continued)	Staff record actual time worked on their activity logs. The total for this information transmit to a cover sheet that summarized the allocation percentages. The payroll coordinator reviews the timecards to verify actual hours worked, and an assigned supervisor reviews the logs to determine that activities are charged correctly. The payroll allocation percentages are input into the City's payroll system.
06-13	<p>Program Name - HOME 14.239 and CDBG 14.218</p> <p>Finding Type – Reportable condition</p> <p>Criteria - Salary and fringes expense of Department of Community and Economic Development personnel who work on both grant eligible and non grant eligible activity have a portion of their time charged to the General Fund for the grant ineligible portion. The general fund portion was based on an estimate of the percentage of time each staff spend on grant ineligible activities. Regulations require that the percentages charged be supported by time records that support the allocation percentages. As duties and responsibilities change, the allocation percentages should be revised accordingly.</p> <p>Condition - We selected payrolls for the pay periods ending February 11, 2006 and May 20, 2006 and found that one employee incurred time on grant ineligible activities but was charged entirely to grants. A second individual was charged 85% to grant activities, when time records indicate that she should have been charged 70% to grant activities.</p> <p>Questioned Costs – Unknown</p> <p>Context - Of the 18 employee payroll transactions tested, the remaining 16 transactions were allocated to grant activities in the standard percentage.</p> <p>Effect - Allocation percentages were not reflective of actual time spent by employees.</p> <p>Cause - Allocation percentages were not reflective of actual hours worked.</p>

City of Flint

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-13 (Continued)	<p>Recommendation - Procedures should be implemented to adjust the allocation percentages to more accurately reflect employee time and fringes that benefited each program.</p> <p>Views of responsible officials and planned corrective actions - DCED recognized this issue and began review and modification of payroll procedures in FY06. In the new process, payroll information is entered into the payroll system based on the timesheets, which document the actual work-time distribution charged to the appropriate funding source (CDBG, HOME, ESG, General Fund). All information is reviewed by a program manager in the department prior to payroll approval.</p> <p>Additionally, during the monthly compilation of administrative expenditures, the Accounting Coordinator reviews timesheets again to verify that the work time distribution is accurately reflected in the City's financial system. Where there are inconsistencies, the Accounting Coordinator prepares the correcting journal entries. Once complete, admin draws are again reviewed and approved by a program manager prior to drawdown from HUD.</p> <p>This restructuring was not complete by June 30, 2006, however it will be fully implemented in the next fiscal year. DCED continues to work with the Finance Department to simplify and streamline the process.</p>